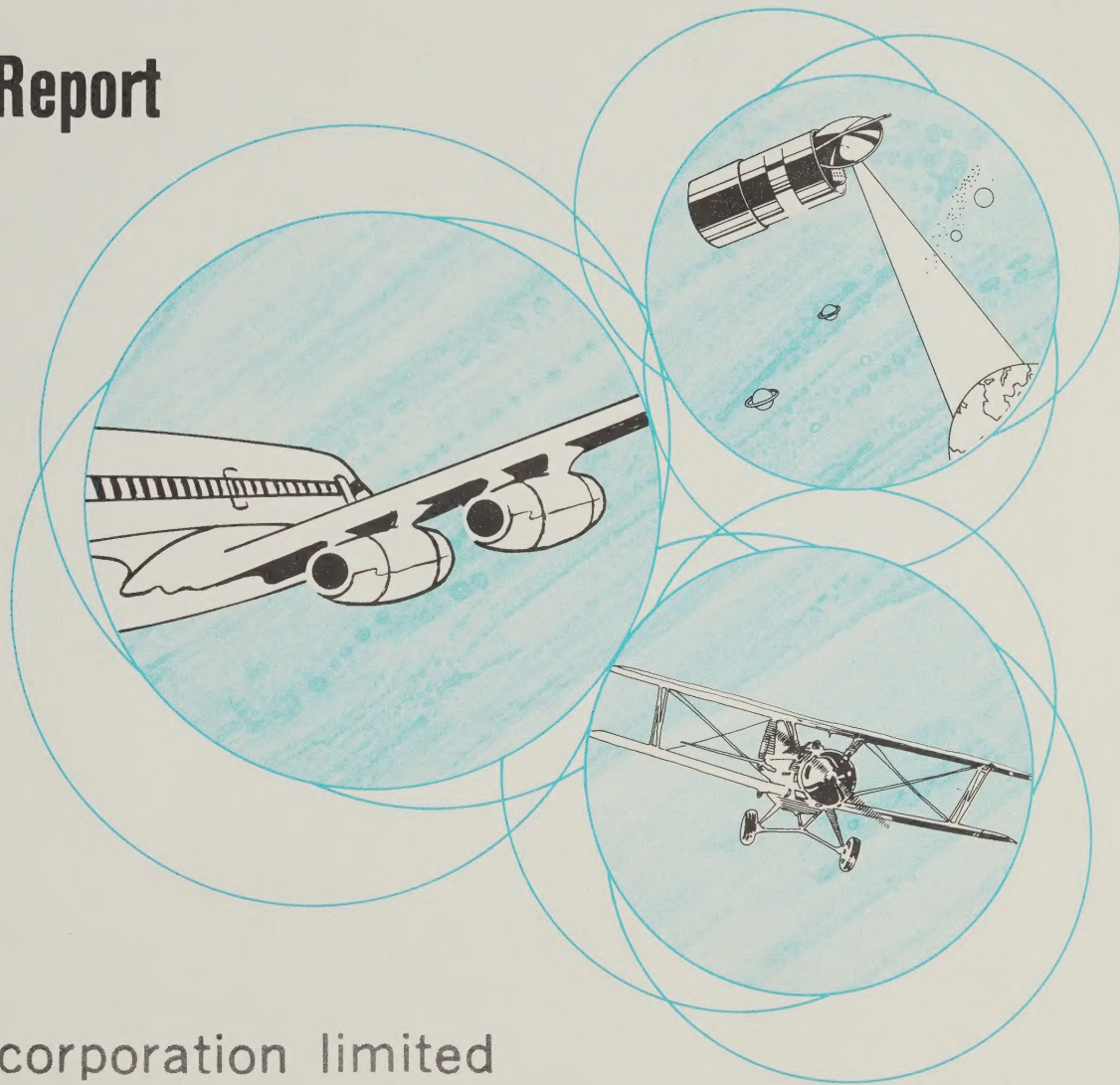


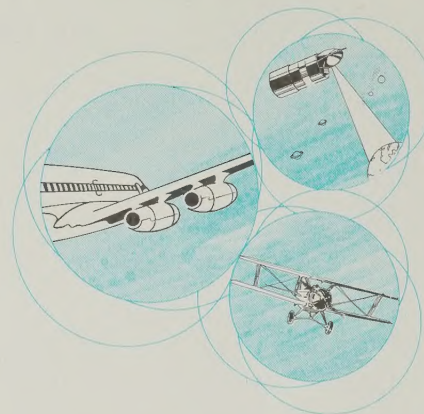
1980 Annual Report

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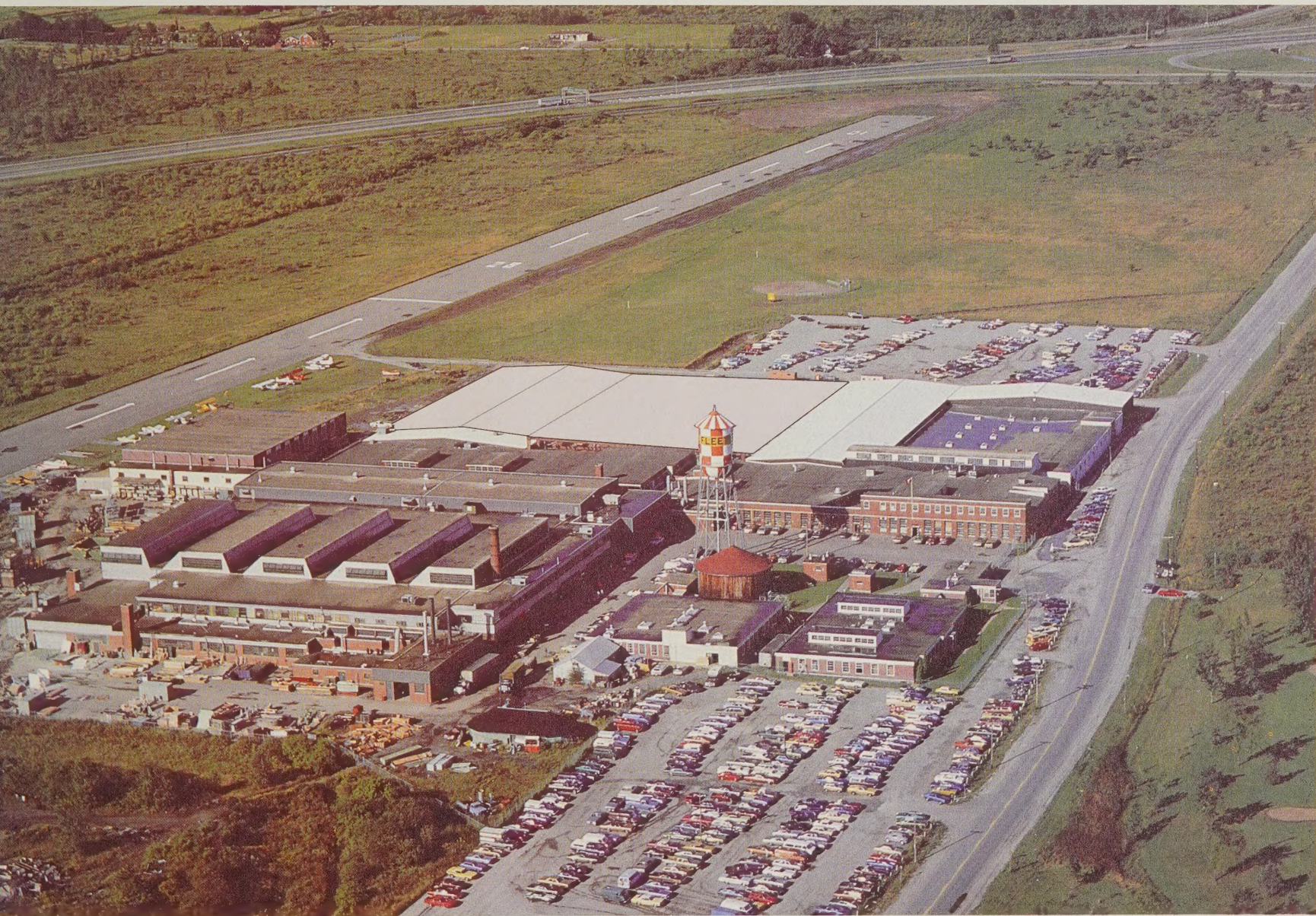
AR10

RONYX corporation limited



THE FIRST 50 YEARS ▲ MILESTONES

- | | |
|--|---|
| <p>1930 Incorporation Fleet Aircraft of Canada Ltd.
Plant 7,500 square feet.</p> <p>1938 Plant 72,000 square feet.</p> <p>1950 5,000 Propellor Aircraft in First 20 years.</p> <p>▲ 1951 Radar FPS – 3C radar antenna deHavilland Beaver fuselages and wings.</p> <p>▲ 1952 Components F86 Sabre Jet.</p> <p>1955 Autoclave 4' x 17' metal to metal and metal to honeycomb bonding.</p> <p>1959 Plant 277,000 square feet.</p> <p>1960 deHavilland Caribou (C4) components.</p> <p>▲ 1961 Sonar – Chief source R.C.N. Detection Systems.</p> <p>1964 Douglas DC-9 commercial jet components.</p> <p>1965 Autoclave 8' x 26'.</p> <p>1967 deHavilland Buffalo C5
Twin Otter C6 components.</p> <p>1968 Four numerically controlled machines.</p> | <p>1969 Lockheed L1011 components
Plant addition 26,000 square feet.</p> <p>1973 Boeing 707 components.</p> <p>1974 Boeing 747 SP component
deHavilland C-7 pre-production tooling and bonded components.</p> <p>1978 Lockheed P3C Aurora forward fuselage
Boeing 727 components.</p> <p>▲ 1978 Space — Environmentally controlled building for satellite structures.
Communication satellite bodies — Hughes.</p> <p>1979 Boeing 707 E3A TF33 jet engine
Nacelles.
Total plant area 365,000 square feet.</p> <p>1980 Boeing 757 APU doors.
Introduction of computer manufacturing system with advanced software.
New autoclave 10' x 31'.
New bonding facility and N/C machine centre 137,000 square feet started.
Total plant area over 500,000 square feet.</p> |
|--|---|



RONYX corporation limited
FINANCIAL HIGHLIGHTS

	Year ended September 30, 1980			Year ended September 30, 1979		
	(in thousands of dollars except for per share information)					
	<u>Manufacturing</u>	<u>Real Estate</u>	<u>Total</u>	<u>Manufacturing</u>	<u>Real Estate</u>	<u>Total</u>
SALES	\$ 30,938 (+50)	\$ 5,624	\$ 36,562	\$ 20,641	\$ 11,440	\$ 32,081
NET EARNINGS (LOSS)	\$ 1,672	\$ (632)	\$ 1,040	\$ 2,074	\$ (1,115)	\$ 959
ORDER BACKLOG	\$ 55,470		\$ 55,470	\$ 39,000	\$ 3,800	\$ 42,800
EARNINGS PER COMMON SHARE			\$.41			\$.38
WORKING CAPITAL			\$ 5,349			\$ 6,217
LAND HELD FOR DEVELOPMENT			\$ 1,651			\$ 2,658
NEW FACILITIES AND EQUIPMENT			\$ 1,693			\$ 662
LONG TERM DEBT			\$ 1,881			\$ 3,569
SHAREHOLDERS' EQUITY AT YEAR END			\$ 8,313			\$ 7,273
COMMON SHARES OUTSTANDING AT YEAR END			2,521,000			2,521,000
COMMON SHAREHOLDERS' EQUITY PER SHARE			\$ 3.30			\$ 2.88

PRESIDENT'S LETTER TO THE SHAREHOLDERS:

Consolidated sales for the year were \$36.6 million compared to \$32.1 million for the preceding year with net earnings at \$1,040,000 compared to \$959,000.

Manufacturing — FLEET INDUSTRIES

Sales increased by 50% to \$30.9 million from \$20.6 million and net earnings declined to \$1,672,000 from \$2,074,000. This decline was accounted for by increased training costs with year end employment at 965 compared to 685 for the year before, interruptions arising from material shortages and a decreased profit from the U.S. dollar exchange.

Customer orders received for the year amounted to \$50 million compared to orders in 1979 of \$37 million and in 1978 of \$17 million. New programs added during the year were the APU doors for the new Boeing 757 and a Phased Array Radar System for Raytheon. The backlog at year end was \$55 million compared to \$39 million in 1979 and \$23 million in 1978. This is a reflection of Fleet's growing reputation as a well respected source for high technology products.

While the McDonnell Douglas F18 fighter has been selected for the Canadian Forces and Fleet has bid 3 components, no awards for structural components have been announced. Fleet also hopes to participate in the deHavilland DASH 8 program which can provide substantial volume for the new bonding facility.

Currently under construction is a 137,000 square foot addition to provide a modern environmentally controlled bonding facility and space for a new Numerical Control machining centre. A new 10' x 31' autoclave will be installed to add to the two existing autoclaves. With this addition and the new 27,640 square foot storage and tool area completed during the year, the total plant area will be just over 500,000 square feet. To assist in this expansion as well as the purchase of advanced machine tools and equipment, the Federal Government is providing loan guarantees and the Province of Ontario has made a grant of \$1 million.

With increased space, more trained personnel and increasing benefits from a gradual phasing in of an advanced interactive on line computerized manufacturing control system, Fleet is well equipped to take advantage of new business opportunities.

Real Estate — RONARK DEVELOPMENTS ARKTON CORPORATION LIMITED.

Sales declined to \$5.6 million from \$11.4 million and the net loss was \$632,000 down from \$1,115,000 for the previous year. Despite drastic reductions in overhead early in the fiscal year to adjust expenses to lower volumes, terminations and finance costs were a heavy drain. Although corporate policy is to phase out real estate operations, implementation has been difficult because of general market conditions complicated by another round of high interest rates. However, a long established joint venture arrangement in Waterloo and Sarnia has been terminated on a satisfactory basis and the only remaining undeveloped land inventory in London, Ontario, considered to be a valuable asset, is being offered to interested buyers. In Florida, while a building permit has been obtained for 71 units on the remaining waterfront phase of "Twelve Oaks", a start has not been made. It has been decided not to commit further funds to this project and negotiations have been under way for some months with various interested groups with nothing final at this date.

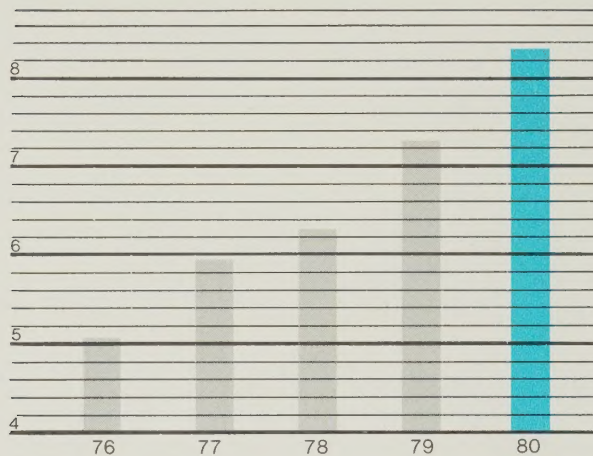
The Directors and Management thank the employees for their efforts over the last year. For Ronark, it was a difficult year attempting to meet corporate objectives in the face of a depressed housing economy. Fleet, having celebrated its 50th birthday, is entering the decade of the 80's better equipped for continued growth than at any time in the past.

R. K. Fraser, President

December 15, 1980

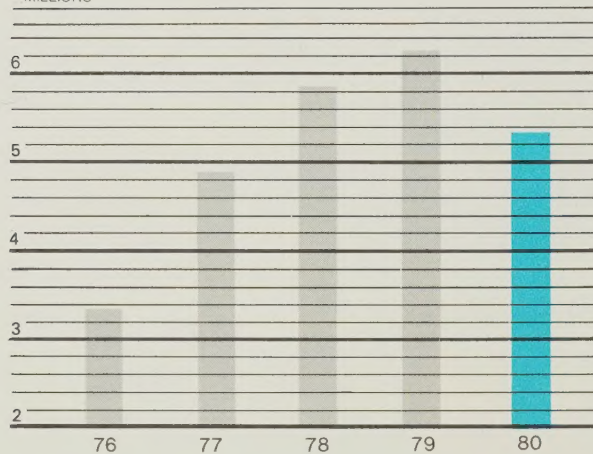
SHAREHOLDERS' EQUITY

MILLIONS



WORKING CAPITAL

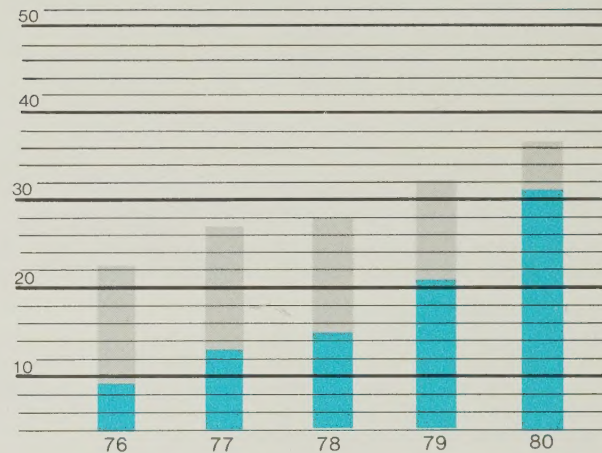
MILLIONS



SALES MANUFACTURING & REAL ESTATE

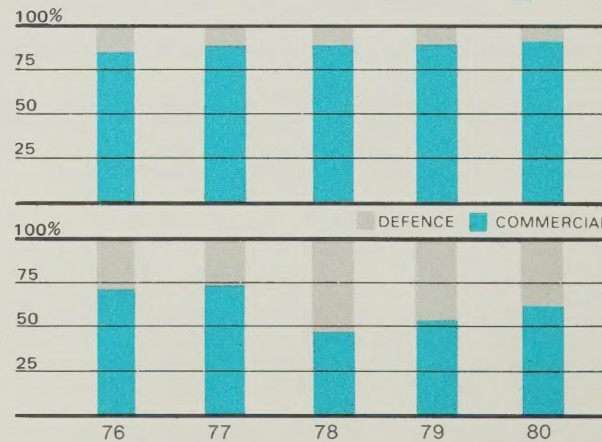
MILLIONS

RONARK FLEET



ANALYSIS OF MANUFACTURING SALES

DOMESTIC EXPORT



CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

YEAR ENDED SEPTEMBER 30, 1980 (with comparative figures for 1979) (in thousands of dollars)

	1980			1979		
	Manufacturing	Real estate	Total	Manufacturing	Real estate	Total
Income:						
Sales	\$ 30,938	\$ 5,624	\$ 36,562	\$ 20,641	\$ 11,440	\$ 32,081
Other income		166	166		196	196
	<u>30,938</u>	<u>5,790</u>	<u>36,728</u>	<u>20,641</u>	<u>11,636</u>	<u>32,277</u>
Costs and expenses:						
Manufacturing and construction	25,978	5,086	31,064	16,109	11,410	27,519
Administrative and general	2,175	1,050	3,225	1,404	1,012	2,416
Interest and debt expense (note below)	369	594	963	119	794	913
Income taxes (recovery)	744	(308)	436	935	(465)	470
	<u>29,266</u>	<u>6,422</u>	<u>35,688</u>	<u>18,567</u>	<u>12,751</u>	<u>31,318</u>
Net income (loss) for year	<u>\$ 1,672</u>	<u>\$ (632)</u>	<u>1,040</u>	<u>\$ 2,074</u>	<u>\$ (1,115)</u>	<u>\$ 959</u>
Retained earnings at beginning of year			5,033			4,074
Retained earnings at end of year			<u>\$ 6,073</u>			<u>\$ 5,033</u>
Earnings (loss) per common share	<u>\$.66</u>	<u>\$ (.25)</u>	<u>\$.41</u>	<u>\$.82</u>	<u>\$ (.44)</u>	<u>\$.38</u>
Notes: (1) Interest paid during the year on						
— long term debt	\$ 398	\$ 346	\$ 744	\$ 386	\$ 353	\$ 739
— other debt	574	509	1,083	101	621	722
	<u>972</u>	<u>855</u>	<u>1,827</u>	<u>487</u>	<u>974</u>	<u>1,461</u>
Less interest and debt expense above	<u>369</u>	<u>594</u>	<u>963</u>	<u>119</u>	<u>794</u>	<u>913</u>
Included in manufacturing and construction costs and inventory (note 1 (c))	<u>\$ 603</u>	<u>\$ 261</u>	<u>\$ 864</u>	<u>\$ 368</u>	<u>\$ 180</u>	<u>\$ 548</u>
(2) Depreciation	<u>\$ 249</u>	<u>\$ 39</u>	<u>\$ 288</u>	<u>\$ 205</u>	<u>\$ 41</u>	<u>\$ 246</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEET — SEPTEMBER 30, 1980

(with comparative figures at September 30, 1979) (in thousands of dollars)

ASSETS

	<u>1980</u>	<u>1979</u>
CURRENT:		
Cash and short term deposits	\$ 134	\$ 411
Condominium deposits in trust	10	26
Accounts receivable	7,784	4,941
Inventories (notes 1(c) and 2)	17,202	13,402
Mortgages receivable	914	942
Prepaid expenses and other current assets	309	211
Total current assets	26,353	19,933
LAND HELD FOR DEVELOPMENT OR RESALE	1,651	2,658
REFUNDABLE LAND-SERVICING DEPOSIT BOND	176	176
MORTGAGES RECEIVABLE	39	71
FIXED (note 3):		
Land, buildings, machinery and equipment, at cost	6,998	5,356
Less accumulated depreciation	3,819	3,582
	3,179	1,774
DEFERRED CHARGES, less amortization		6
	<u>\$ 31,398</u>	<u>\$ 24,618</u>
On behalf of the Board:		
RONALD K. FRASER, Director		
G. PHILIP MORPHY, Director		

LIABILITIES

	<u>1980</u>	<u>1979</u>
CURRENT:		
Bank indebtedness (note 4)	\$ 10,617	\$ 3,296
Accounts payable and accrued charges	5,665	4,767
Income and other taxes payable	389	1,162
Mortgages payable on land and housing units under construction	2,845	2,812
Current requirements on long term debt (note 5)	1,190	1,439
Deferred income taxes relating to current assets	298	240
Total current liabilities	<u>21,004</u>	<u>13,716</u>
LONG TERM DEBT (note 5)	1,881	3,569
DEFERRED INCOME TAXES relating to fixed assets	200	60
SHAREHOLDERS' EQUITY:		
Capital stock —		
Common shares without nominal or par value:		
Authorized — 5,600,000 shares		
Issued — 2,521,000 shares	2,240	2,240
Retained earnings	6,073	5,033
	<u>8,313</u>	<u>7,273</u>
	<u>\$31,398</u>	<u>\$24,618</u>

See accompanying notes to consolidated financial statements.

AUDITORS' REPORT

To the Shareholders of
Ronyx Corporation Limited:

We have examined the consolidated balance sheet of Ronyx Corporation Limited and its subsidiary as at September 30, 1980, and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at September 30, 1980, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson Gordon
Chartered Accountants

Hamilton, Canada,
November 27, 1980.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED SEPTEMBER 30, 1980 (with comparative figures for 1979) (in thousands of dollars)

SOURCE OF FUNDS:	<u>1980</u>	<u>1979</u>
Operations —		
Net income for year	\$ 1,040	\$ 959
Add charges to income not requiring an outlay of funds —		
Depreciation	288	246
Amortization of deferred charges	6	26
Deferred income taxes related to fixed assets	140	60
	<u>1,474</u>	<u>1,291</u>
Decrease in mortgages receivable	32	1,041
Land for resale or development	1,007	(12)
	<u>2,513</u>	<u>2,320</u>
 APPLICATION OF FUNDS:		
New facilities and equipment	1,693	662
Decrease in long term debt	1,688	1,278
	<u>3,381</u>	<u>1,940</u>
 INCREASE (DECREASE) IN WORKING CAPITAL	<u>(868)</u>	<u>380</u>
 WORKING CAPITAL BEGINNING OF YEAR	<u>6,217</u>	<u>5,837</u>
 WORKING CAPITAL END OF YEAR	<u>\$ 5,349</u>	<u>\$ 6,217</u>

CHANGES IN COMPONENTS OF WORKING CAPITAL:	<u>1980</u>	<u>1979</u>
Increase (decrease) in current assets —		
Cash and short term deposits	\$ (277)	\$ 250
Condominium deposits in trust	(16)	(103)
Accounts receivable	2,843	473
Inventories	3,800	386
Mortgage receivable	(28)	942
Prepaid expenses and other current assets	<u>98</u>	<u>(22)</u>
	<u>6,420</u>	<u>1,926</u>
 Increase (decrease) in current liabilities —		
Bank indebtedness	7,321	871
Accounts payable and accrued charges ...	898	1,545
Income and other taxes payable	(773)	1,107
Mortgages payable on land and housing units under construction	33	(846)
Current requirements on long term debt ...	(249)	(296)
Deferred income taxes relating to current assets	58	(835)
	<u>7,288</u>	<u>1,546</u>
 INCREASE (DECREASE) IN WORKING CAPITAL	<u>\$ (868)</u>	<u>\$ 380</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 1980

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles consistently applied. They are based on information available to November 28, 1980, and are within the framework of the accounting policies summarized in note (1).

(1) Accounting policies —

(a) Basis of consolidation —

The consolidated financial statements as at September 30, 1980, include the accounts of the company's wholly-owned subsidiary, Arkton Corporation Limited.

(b) Income recognition:

Gross profit on contracts (including programs specifying anticipated deliveries but without firm commitments) is recorded as follows:

- (i) On long term manufacturing contracts or programs billable at a fixed price per unit, the proportion of total estimated gross profit for the entire contract or program applicable to the number of units shipped based on the average unit cost for each program estimated to final completion. Revisions in pricing on follow-on orders can result in substantial retroactive price adjustments on units shipped which can significantly affect the income reported in fiscal years subsequent to shipment.
- (ii) On other manufacturing contracts completed within the year the actual gross profit applicable to units shipped.
- (iii) Gross profit on speculative housing construction is recorded as sales are completed. On real estate construction contracts the percentage of completion method is used.

Estimated losses on contracts are recorded when they become known. In the case of contracts extending over one year revisions in cost and profit estimates are reflected in the accounting period in which the relevant facts become known.

(c) Inventories and land held for development:

Manufacturing division —

Work in progress inventories are valued at the lower of cost and realizable value with materials and supplies at the lower of average cost and market.

Inventory costs for manufactured products include production financing and tooling costs incurred less costs allocated to delivered items. The net costs are reduced, where applicable, to realizable value after giving effect to the estimated costs of completion.

In accordance with industry practice, inventoried costs include amounts relating to programs and contracts whose operating cycles extend beyond one year and are classified as current assets.

Real estate division —

The costs in inventory and land held for development for the real estate division include carrying charges on land and housing under construction (such as interest on interim and long term financing, real estate taxes and legal fees) unless costs exceed estimated realizable values. If estimated realizable values are less than recorded costs, appropriate provisions are made in the company's accounts.

RONYX corporation limited

(d) Fixed assets:

Additions to fixed assets are recorded at cost. Depreciation is provided at rates which are expected to amortize the assets over their estimated useful life on the diminishing balance basis at the following rates:

Buildings	5% or 10%
Machinery, furniture and equipment	20%
Automotive equipment	30%

(e) Income taxes:

The company follows the tax allocation method of providing for income taxes. Under this method, timing differences between reported and taxable income result in prepaid or deferred taxes. The provision for income taxes is reduced by the statutory deduction of a 3% inventory allowance in the manufacturing division and the investment tax credit for plant and equipment.

(f) Pension plans:

The unamortized past service costs under the pension plans of the company, which are not reflected in the accompanying financial statements, are being amortized and charged to operations over 15 years (note 6).

(g) Income statement segmentation:

Corporate costs, which are relatively minor in amount, are allocated to the two divisions according to sales. All other costs are charged directly to the division to which they apply.

(h) Foreign currency translation:

The company uses the temporal method of foreign currency translation such that:

- (i) Cash and amounts receivable or payable in foreign currencies are translated to Canadian funds at the rate of exchange at September 30, 1980.
 - (ii) Land held for development is translated at historical rates.
 - (iii) Revenue and expense items are translated at the rate of exchange in effect at the date of the transaction.
- Exchange gains and losses are included in the determination of net income for the year.

(2) Inventories —

Inventories consist of the following:

	<u>1980</u>	<u>1979</u>
	(in thousands of dollars)	
Manufacturing division —		
Work in progress:		
Commercial contracts	\$ 6,848	\$ 4,082
Defence contracts	4,984	3,168
Raw materials and supplies	5,691	3,126
	<u>17,523</u>	<u>10,376</u>
Less progress payments	4,687	2,544
	<u>12,836</u>	<u>7,832</u>
Real estate division —		
Land and housing under construction	3,358	4,638
Land for resale and under development	1,008	932
	<u>4,366</u>	<u>5,570</u>
	<u>\$ 17,202</u>	<u>\$ 13,402</u>

Manufacturing division —

Title to defence contract inventories is vested in the appropriate governments to the extent of the progress payments received.

Real estate division —

The carrying value of the land and housing under construction in Florida is \$1,400,000 at September 30, 1980, and the balance is in Ontario.

(3) **Fixed assets —**

Fixed assets, which primarily relate to the manufacturing division, consist of the following:

	1980			1979
	Cost	Accumulated depreciation	Net book value	Net book value
	(in thousands of dollars)			
Land (including approximately 152 acres in Fort Erie)	\$ 53		\$ 53	\$ 53
Buildings	3,183	\$ 972	2,211	1,056
Machinery and equipment	3,762	2,847	915	665
	<u>\$ 6,998</u>	<u>\$ 3,819</u>	<u>\$ 3,179</u>	<u>\$ 1,774</u>

(4) **Bank indebtedness —**

Bank indebtedness includes a loan to the manufacturing division of \$7,200,000 with interest at prime plus 1% which is repayable on demand. As security the company has given the bank a \$3,000,000 debenture with a first floating charge on all company property and assets and has pledged accounts receivable and inventories.

(5) **Long term debt —**

The long term debt consists of the following:

	1980	1979
	(in thousands of dollars)	
Manufacturing division —		
8¼% mortgage debenture payable to Ontario Development Corporation		\$ 35
Term bank loan, with interest at 1% over the prime bank rate, for the financing of the Lockheed TriStar and P3C programs, against which the company has provided as collateral security a \$3,000,000 debenture payable on demand with a second floating charge on all company property and assets and a second pledge of accounts receivable and inventories. This loan is repayable in quarterly instalments of \$125,000	2,250	2,750
	<u>\$ 2,250</u>	<u>2,785</u>
Real estate division —		
Ronyx Corporation Limited —		
9¼% mortgage maturing March 28, 1995, payable in blended monthly instalments of \$628	\$ 61	\$ 64
10¼% mortgages payable on land held for development		960
Note payable June 30, 1981, with interest at 1½% over the prime rate on commercial loans	131	186
Note payable with interest at 12½% payable in blended instalments of \$15,860 monthly commencing April 15, 1980	242	626

	<u>1980</u>	<u>1979</u>
	(in thousands of dollars)	
Forward		
Arkton Corporation Limited —		
12¼% mortgage on Florida property repayable December 31, 1980	\$ 337	\$ 337
Debenture payable December 31, 1980, with interest at 4% over prime bank rate	<u>50</u>	<u>50</u>
	821	2,223
	<u>3,071</u>	5,008
Less current requirements	<u>1,190</u>	1,439
	<u>\$ 1,881</u>	<u>\$ 3,569</u>

A condition of the term bank loan prohibits the payment of dividends by the company without the consent of the bank.

The long term debt repayment requirements for the fiscal years 1981 to 1985 are as follows:

1981 — \$1,190,000; 1982 — \$ 576,000; 1983 — \$504,000; 1984 — \$504,000; 1985 — \$254,000.

These repayment requirements include an estimate of principal pre-payments which will be made to obtain partial discharges of mortgages to provide clear title for individual units as they are erected and sold.

(6) **Pension plans —**

Pursuant to recommendations by the company's independent actuary, past service payments of \$227,000 were made during the year and charged to income. At September 30, 1980, a triennial actuarial revaluation determined that the company's non-contributory pension plan had an unfunded liability of \$122,000 and the contributory plan was fully funded, reflecting improved investment performance and changes in the profile of the plans' membership.

(7) **Statutory information —**

The aggregate direct remuneration paid or payable by the company and its consolidated subsidiary to the directors and senior officers of the company as defined by The Business Corporations Act of Ontario amounted to \$297,000 in fiscal 1980.

(8) **Subsequent events —**

Effective October 1, 1980, the company leased certain computer equipment under a lease which expires in 1984. The company's rental obligation over the term of the lease will approximate the following:

1981	\$ 64,000
1982	88,000
1983 and 1984	<u>336,000</u>
	<u>\$ 488,000</u>

RONYX corporation limited

DIRECTORS

Ronald K. Fraser	President Ronyx Corporation Limited
Samuel Lax	President Lax Iron & Steel Ltd., Hamilton
C. Norman Lucas	Director and Consultant Toronto
D. Donald C. McGeachy	Director and Consultant London
G. Philip Morphy	Corporate Vice President Ronyx Corporation Limited
G. B. Sampson	Vice President and General Manager Fleet Industries, Fort Erie
J. Frederick Taylor	President J. F. Taylor & Associates Ltd., Ottawa

AUDITORS

Clarkson Gordon
Hamilton, Ontario

BANKERS

The Toronto-Dominion Bank

TRANSFER AGENTS

Guaranty Trust Company
of Canada,
Toronto, Ontario
Vancouver, British Columbia

OFFICERS

RONYX corporation limited

Ronald K. Fraser	President
G. Philip Morphy	Corporate Vice President
E. Delbert Hickey	Vice President Legal
Jean E. Spacca	Secretary



Gordon B. Sampson	Vice President and General Manager
Donald A. Willsie	Manager, Manufacturing
John O'Brien	Director, Marketing
Roy Dear	Treasurer and Controller



RONARK developments Real Estate Division

Grant A. Martin	General Manager
G. Philip Morphy	Treasurer and Controller

HEAD OFFICE

20 Hughson Street South, Hamilton, Ontario

MAILING ADDRESS

P.O. Box 800, Hamilton, Ontario L8N 3M8

RONYX corporation limited

divisions

FLEET industries—transportation, communications

RONARK developments—real estate development